

The New Zealand Superannuation and Retirement Income (Pro Rata Entitlement) Amendment Bill

**Sponsored by Denis O'Rourke
New Zealand First MP**



NZ First Superannuation (NZS) policy:

- Retain the NZS age at 65 years
- Non-contributory entitlement to NZS
- No means testing



New Zealand Super is based on residence.

Recipients will have made a contribution to New Zealand over their full work life.

It is therefore an entitlement, not a social welfare benefit.

Any fiddling with the current terms of entitlement (raising the age of eligibility, means testing) would be a fundamental breach of the social contract.

The pro rata proposal is consistent with the original basis of NZ Super because it is based on actual residence between 20 and 65 years.



The New Zealand Superannuation and Retirement Income (Pro Rata Entitlement) Amendment Bill

proposes a fair system of proportional entitlement based on years of residence in New Zealand between 20 and 65 years.

New Zealand Superannuitants currently affected by Section 70 will retain their overseas pensions.

The proposed legislation will apply to all New Zealanders.

There will be no need for reciprocal agreements pertaining to pensions.



Pro rata entitlement to NZS is New Zealand First's response to these problems:

- The inequities and anomalies of the reciprocal agreements regarding overseas pensions under Section 70 of the Social Security Act 1964. **ABOLISH SECTION 70**
- The unfairness to current and future taxpayers of supporting retirees (without overseas pensions) who may only have been resident in New Zealand for as short as 10 years and yet are entitled to full NZ Super.
- The future return flow of expatriate Kiwi retirees as other countries raise their pension age and reduce healthcare and welfare entitlements.



Argument for Option 3

For Section 70s, the outcome of Option 3 is similar to the outcome offered in Option 2 – the Blended Pension.

Section 70s get pro rata entitlement to NZS and retain their overseas pensions from one or more other countries.



Why Option 3, not Option 2?

Fairness is comparative

- Why would Section 70s accept pro rata NZS when migrants from non-pension countries can get full NZS after 10 years residency?
- Note especially that parent category migrants have no requirement to work.
- One Law For All.



Option 3 closes another loophole

Option 3 also covers the problem of migrants and expat Kiwis evading Section 70 by **cashing up their pensions in a lump sum** before returning to New Zealand to retire.



Option 3 links to New Zealand First's Immigration policy

In addition to pro rata entitlement, there should be a quota on parent reunion migrants - and this quota should be the same for all nationalities.

Also, there should be a cap on older migrants.
(Prof Paul Spoonley 23 April 2013 NZ Herald)

'Superannuation Farming' must be curbed.



We believe Option 3 is the fairest option

- But it is the hardest option to explain
- It requires the biggest mind shift
- It addresses all principal issues
- It aligns NZS closer to other countries' pension residency requirements



Option 3 clearly distinguishes between
'entitlement' and 'benefit'



Option 3

- Option 3 also encourages Kiwis who choose to work overseas for extended periods to consider their pension entitlements.
- Pro Rata will reflect their working lives in New Zealand and they will retain the pensions they earn while overseas.

Beyond the scope of the Bill

New Zealand First supports a Welfare Backstop.

If a pro rata pension is inadequate, then it is appropriate for a social welfare benefit top-up.

Such a benefit is means tested.



Conclusion

The time is ripe for Certainty.

Sustainability issues must not compromise the social contract upon which NZ Super is based.

The real issue is fairness: to those who have contributed to the New Zealand economy and society, to those with overseas pensions and to future New Zealand taxpayers.

